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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable William Kennard
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Coalition for Affordable Local and Long Distance Services; CC Docket Nos. 96-262, 94-1, 99-249, and 96-45

Dear Chairman Kennard:

AARP appreciates the opportunity to submit comments in response to the *ex parte* filing by the Coalition for Affordable Local and Long Distance Services (CALLS) with the Federal Communications Commission (FCC) on February 25, 1999 and subsequent submissions filed by the incumbent local exchange carriers on March 29 and by AT&T on March 30. AARP previously filed related comments on the Low Volume Long-Distance Users proceeding in September of 1999, the original CALLS proposal in November of 1999 and joined with the Texas Office of Public Utility Counsel, the Consumer Federation of America, Consumers Union, the National Association of State Utility Consumer Advocates, the International Communications Association and the National Retail Federation on a compromise proposal filing in January of this year.

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Joseph S. Perkins *President* Horace B. Deets *Executive Director*

In comments submitted to the FCC on November 12, 1999, AARP expressed opposition to the CALLS petition. The concerns we expressed centered on the lack of benefits residential consumers were likely to realize. The compromise proposal we introduced earlier this year sought to remedy some of those concerns. The *ex parte* filing by the CALLS group, and subsequent submissions that we are commenting on today, at least recognize residential consumers and introduce means by which they could benefit. While the *ex parte* filing addresses numerous issues that impact consumers, AARP will confine its remarks to the four proposals that we believe would have the greatest impact on our membership and for which we have advocated previously.

1) The Elimination of the Minimum Usage Charge (MUC)
2) Changes in AT&T's "Basic Rate" Schedule
3) The Reduction in the Combined Subscriber Line Charge (SLC)/Pre-subscribed Interexchange Carrier Charge (PICC)
4) The Forward Looking Economic Cost Proceeding

The Elimination of the Minimum Usage Charge (MUC)

An area of concern for AARP has been the relatively recent institution of the Minimum Usage Charge (MUC). This charge, $3.00 a month for an AT&T customer, is essentially a cost imposed on the consumer for having that specific carrier as his or her long-distance provider. The charge to a consumer who makes no long distance phone calls in a month is $3.00; it is $2.00 for a consumer who makes $1.00 worth of calls; and $0 for a consumer who makes greater than $3.00 worth of calls. AARP has been especially troubled by this charge because it adversely affects low-volume and in many cases low-income older Americans. AT&T's charge has been of greater concern than similar charges imposed by other long-distance carriers due to the fact that nearly 70% of consumers age 50 and older are AT&T subscribers.

In AARP's response to the July, 1999 CALLS petition, we questioned how consumers were going to benefit from the $2.1 billion access charge reduction that was touted in the proposal. We expressed concern that the conclusion reached by the CALLS proponents that residential "consumer welfare" would increase by $1.2 billion annually was based on an unspecified assumption that the long distance carriers' savings would be passed through to consumers.

Therefore, AARP is pleased that AT&T has made the decision to add specificity to its formerly vague commitment to save residential consumers money. The March 30 letter sent to the Commission by AT&T agreeing to "eliminate the minimum usage requirement on its residential interstate Basic Schedule for 5 years," contingent on the approval of the CALLS plan, is a welcome benefit to low-volume long-distance service consumers.

AARP would have preferred that the clause "reserving the right to work with the Commission to revise or eliminate this commitment after 3 years if market circumstances warrant" not be included. However, elimination of this charge is a step forward, and we are pleased that no other contingencies stand in the way of implementation by July 1 of this year.

The elimination of the MUC could save some of the less active long-distance callers a full $3.00 a month. Nevertheless some additional concerns remain on this point.

As stated above, AT&T has conditioned this reduction, and the changes in the Basic Schedule that will be discussed next, on the approval of the CALLS plan. We recognize that these promises are outside of the proceedings currently open before the Commission and are being made independently. If the CALLS plan gains Commission approval, AARP has some concern that there is no binding requirement upon AT&T to follow through on this pledge. AARP strongly urges AT&T to fulfill this commitment and we ask the Commission to hold AT&T to this promise as well.

Another concern AARP has regarding the elimination of the MUC is that it is not clear who will end up paying for the revenue loss that AT&T will accrue. We anticipate that the access charge reduction will more than compensate AT&T for the absence of the MUC. We are concerned, however, that AT&T may seek to recoup portions of the revenue loss by increasing "Basic Rate" per-minute charge. We will discuss this item fully during our comments on the changes in the "Basic Rate" schedule.

Lastly, while AT&T's promise to eliminate the MUC is critically important to AARP's membership, AT&T is not the only long-distance carrier that currently levies a MUC. Since this element is not part of an open proceeding before the Commission, we ask that the FCC exert whatever pressure is allowable on other carriers to follow AT&T's lead and eliminate the MUC altogether by July 1, 2000.

Changes in AT&T's "Basic Rate" Schedule

In its March 30th letter to the Commission, AT&T addressed another of the issues on which AARP sought relief for its members. That is the issue of the "Basic Rate" schedule. The "Basic Rate" schedule is a misnamed default plan where consumers end up paying the highest per-minute rate that the company offers. Following the divestiture of AT&T in 1984, those consumers who opted not to change providers and did not affirmatively change to another AT&T discount calling plan were placed on the "Basic Rate" schedule. Unfortunately, 74% of consumers age 65 and older have not changed calling plans and have continued as high-rate paying AT&T customers.

The March 30th letter represents a significant change in AT&T's business plan and is one that could benefit AARP's membership. Again, contingent upon the Commission's approval of the CALLS plan, AT&T has committed to alter the rates on its "Basic Rate" schedule and -- as importantly -- will communicate these changes to its customers.

During the past two years, AARP has discussed with AT&T the importance of communicating with consumers on the "Basic Rate" schedule to inform them about alternative rate schedules and calling plans. AARP is convinced that many of our members who have not changed to a discount calling plan are unaware that the plan they are on is not cost-efficient. AT&T's agreement to "notify every residential interstate Basic Schedule customer" of rate changes and to advise them of calling plans represents a significant step forward.

Additionally, AARP is pleased that one of AT&T's rate plan offerings will be a "One Rate Basic" plan of $.19 per minute at all times, with no recurring charge and no minimum usage requirement. This rate is significantly better than the current "Basic Rate." Moreover, the plan does not penalize those consumers who choose to make few long-distance calls.

The combination of the introduction of the One Rate Basic plan and the mailing of the letter to all "Basic Rate" schedule consumers signifies AT&T's willingness to take positive steps to address older consumer concerns.

As with the proposed elimination of the MUC, some concerns remain regarding promised changes to the "Basic Rate" schedule. One concern relates to AT&T's one-year commitment to the $.19 per minute rate. An additional sentence in the March 30th letter states that "if the plan is successful," AT&T will continue using such a plan during the five-year life of the CALLS plan. This assertion is far from comforting. AARP would like to see AT&T commit to extending the plan beyond the first year and agreeing to cap the rate at $.19.

While we continue to have doubts about the combining of these charges, the proposal before us today is more appealing. As currently drafted, the proposal calls for the combined charge to begin at $4.35 on July 1, 2000 and increase to $5.00 a year later. The $4.35 is a $.65 savings for all consumers of telephone service from the original plan and a savings of $1.15 from what it is scheduled to be under the current FCC scheme. More importantly, in July of 2001 a "hold harmless" provision will take effect and the combined charge will not go above $5.00 until a forward looking economic cost proceeding is conducted. We will discuss that proceeding shortly. What makes these changes attractive is that consumers will see a reduction in their line item charges beginning this summer.

AARP supports the reduction in the amount of the line item charges coupled with the opportunity to see those charges drop even further in coming years. However, some of the concerns we articulated in our November filing remain.

Foremost among our concerns is that the merging of the PICC into the SLC would essentially institutionalize the subscriber line charge. We believe that the local loop cost recovery mechanism that the SLC constitutes is no longer necessary. We have advocated either competing away the charge or eliminating it up front. The adoption of the CALLS plan would make either of those scenarios highly unlikely. We anticipate, however, that the forward looking economic cost proceeding will expose the unnecessarily high cost of the SLC, leading to further consumer savings.

AARP also remains troubled by the fact that these consolidated charges now appear exclusively on the local portion of the consumer's phone bill. As we stated in November, this is significant because non-payment of the charge could lead to a loss of local service in states where there is no "Do Not Disconnect" policy. We urge the FCC to obtain a written assurance from the carriers that no disruption of service will result from non-payment of the SLC.

Concerns remain that even with the adoption of the revised CALLS plan, residential consumers may not accrue benefits, or that if they do, those gains will be short-lived. However, we believe that a combination of factors, including a strictly-written Order by the Commission, adherence to promises by the carriers, a thriving marketplace and a robust, ongoing consumer education campaign involving all interested parties can make this proposal work.

Sincerely,

Marty Corry

Martin A. Corry
Director
Federal Affairs